

**MINUTES OF THE MEETING OF THE
ECONOMIC DEVELOPMENT & TRANSPORTATION COMMITTEE
WASHINGTON STATE TRANSPORTATION COMMISSION**

March 12, 2002

The meeting of the Economic Development & Transportation Committee of the Washington State Transportation Commission was called to order at 9:00 a.m., on March 12, 2002, in the Transportation Building, in Olympia, Washington.

Committee members present were: A. Michèle Maher, Ed Barnes and Elmira Forner.

Greg Selstead stated that he would review with the Committee the proposals for a regional improvement program and an economic initiatives program. He indicated that the Committee should select a preferred program proposal and then have staff present the proposal to the Commission at a future meeting. Mr. Selstead pointed out, prior to reviewing the two proposals, that there appears to be no room for new starts in the current law budget, and the new law budget proposals being considered by the Legislature contain prescriptive project lists. A program change would likely take effect for the 2005-2007 budget proposal. Mr. Selstead also distributed a spreadsheet detailing the distribution of funds by region for the I3 (Economic Initiatives) Subprogram since 1997.

Mr. Selstead reminded the Committee that the proposed Regional Improvement Program would be a discretionary program with a regional allocation. Criteria would be developed that would allow more flexibility to program needed improvement projects for economic development, and to address emerging needs. The Department would work with the regional transportation organizations to identify projects to be funded. The projects to be funded would have to meet a deficiency identified in the Highway System Plan and the Regional Transportation Plan and have a benefit/cost ratio of greater than one. Benefits would be calculated based on travel delay reduction, freight delay reduction, safety, economic growth and environmental retrofit or enhancement. Mr. Selstead explained the details of how benefit/cost calculations are made and used. Don Whitehouse commented that the most important deficiency to address under this proposed program is the need for job growth or creation, or some other economic benefit. Mr. Selstead responded that he would check to determine if the Highway System Plan currently considers those factors in identifying deficiencies.

The Committee discussed the Washington Community Economic Revitalization Team (WA-CERT) program, and its relevance to transportation investment. Julie Matlick pointed out that WA-CERT develops lists of projects for investment. Commissioner Maher asked that information regarding WA-CERT be made available to all of the Committee members. Paula Hammond commented that the Commission and Department should consider the WA-CERT program criteria and project lists as the new I3 program is developed. Commissioner Forner suggested that the Committee add points in the criteria

for projects that will enable business to be placed outside the urban core of the Puget Sound, because it will have the benefit of reducing the Puget Sound area's congestion problem. Commissioner Barnes asked if the criteria would be clearly spelled out for applicants. Mr. Selstead indicated it would. Commissioner Maher stated that the Department should coordinate with the Office of Trade and Economic Development to select projects that will have the effect of promoting the development of communities outside the Central Puget Sound.

Jim Slakey raised the point that when the state invests in transportation infrastructure, it cannot guarantee that the private investment will follow, or that private businesses that ask for the improvements will actually locate in the area or stay in the area. It asked whether the Commission was willing to accept the risk of investing in facilities, knowing that there may not be an immediate response from businesses. Commissioner Forner responded that close coordination of project development with the regional transportation planning organizations and the business community would ameliorate the risk. She stated the Commission should invest aggressively in economic development projects, while being very careful in the development of the criteria to determine which projects receive attention. Commissioner Maher stated that tax incentive financing mechanisms could also spread the risk and strengthens the business community's commitments to investment. She suggested that joint ventures between the Department and the private companies could include penalty clauses if the private company withdraws from the community before a certain time passes. Commissioner Barnes recounted the experience of the Southwest Region, in which the Governor and Department agreed with major companies that the Department would build transportation facilities and then the money was not provided in the budget. He stated that he wanted to make sure that would not happen again. He commented that the state's reputation with the business community suffered from the failure to meet commitments made. Commissioner Barnes pointed out that the reverse had happened as well; that the state had built infrastructure for a business, only to have the business withdraw from the area. He suggested that agreements be made in writing so that they would be binding on both sides.

Mr. Selstead then described the application and project programming process being proposed. In response to the suggestion that the regional transportation planning organizations would choose the projects, Ms. Hammond stated that the Department and Commission should remain in control of which projects get built. Mr. Selstead clarified that the Department would bring the list of possible projects to the RTPO for discussion, in order to benefit from the perspective of the community. Commissioner Maher commented that involving the business community in the project selection discussion would improve the awareness of businesses of the state's plans.

John Doyle commented that he did not see freight as a factor in the application criteria. Mr. Selstead responded that freight needs are addressed through the Freight Mobility Strategic Investment Board's grant process. Commissioner Maher suggested

that freight be factored into the I3 program, nevertheless, because it is the manufacturers in each community that generate and also depend on freight traffic. David Forte commented that adding freight to the equation would also have the tendency to promote investment on a regional basis, rather than spot improvements for a specific business. Mr. Selstead suggested that the applicant should be responsible for articulating all of the benefits in the application. Mr. Forte responded that the Commission's policies should influence which applications it will approve. Mr. Slakey added that the criteria should be careful not to promote long-term projects, but rather give points for completion of projects within a biennium.

Commissioner Maher commented that the process and criteria should factor in emergent issues. Mr. Selstead suggested allocating a percentage of money for projects already in the capital program, and a percentage for emergent projects.

Mr. Forte suggested the I3 grant program could serve as a model for all modes, and be used in conjunction with all modes. The Department would have to be careful to make sure revenue sources were used appropriately, but he suggested a more comprehensive program, rather than focusing solely on highways. Mr. Slakey pointed out that a more comprehensive program would require the modal directors within the Department to work together more closely. The modal directors need to have a mechanism for communication. Harold White suggested that the regions and the regional transportation planning organizations could assist in the effort to bring the modal programs together.

Mr. Selstead recommended that the Committee propose a statewide economic development grant program, as the preferred approach. Commissioner Maher agreed. Paula Hammond also agreed with his recommendation. Commissioner Maher asked Mr. Selstead to present the concept to the Commission, acknowledging that the details would be worked out during the budget process, with the new program to be implemented in time for the 05-07 budget. Ms. Hammond asked that the staff talk with the regional administrators and the regional transportation planning organization directors prior to the May Commission meeting. Commissioner Barnes suggested that the staff also brief the other members of the Commission prior to the May meeting. Mr. Selstead indicated that he would work with Elizabeth Robbins and with the Planning Office to accomplish the assignment.

Ms. Robbins provided a draft overview of the Department's economic development-related programs, which will serve as the foundation for the Committee's report. She explained that the Office of Trade & Economic Development is preparing to focus its strategy around supporting "industry clusters". The Department is negotiating with the Office to have transportation investment included in the strategies for supporting those clusters. Ms. Hammond pointed out that if the Department and Office could cooperate in this endeavor, it would enable the Commission, the Department and the regional transportation planning organizations to target its investments at a regional level to support economic development. Ms. Robbins requested the Commission send a

letter to the Office of Trade & Economic Development, requesting the Office to include transportation investments as a tool in supporting the industry cluster strategy. Commissioner Maher requested Ms. Robbins draft a letter for her review, and for Commissioner Marr to sign as chair of the Commission.

The Committee discussed the next steps, and decided that the Department should further develop the draft report, and also further develop the new grant program proposal. The Committee will review the draft report and proposal prior to it being distributed to the Commission.

The Committee meeting adjourned at 12:00 p.m. on March 12, 2002.